

Message Text

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AMCONSUL UDORN
CINCPAC

C O N F I D E N T I A L VIENTIANE 2992

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: ECON EIND ETRD PINS LA
SUBJ: LPDR ARREST CLOTH EXPORTER AND CONFISCATE BUSINESS

1. LAO EMPLOYEE OF THE LARGEST CLOTH AND HANDICRAFT EXPORTING FACTORY IN LAOS, VANIDA'S HOUSE OF DOLLS, TOLD EMBOFF THAT THE GOVERNMENT ARRESTED OWNER VANIDA SOUNTHORN ON DECEMBER 29. WHILE VANIDA WAS PROMOTING HER PRODUCTS AT TRADE SHOWS IN EUROPE IN EARLY DECEMBER, THE GOVERNMENT SEIZED HER FACTORY AND ARRESTED HER BROTHER WHO HAD BEEN MANAGING THE BUSINESS. THREE DAYS AFTER RETURNING TO LAOS, VANIDA WAS ALSO ARRESTED AND INCARCERATED IN SAMKHE PRISON ON THE CHARGE OF BEING A SPY AND BRINGING IN MONEY FROM WESTERN COUNTRIES FOR THE "REACTIONAIRES".

2. PRIOR TO DECEMBER, VANIDA'S HOUSE OF DOLLS HAD ENJOYED THE UNIQUE STATUS OF BEING THE ONLY PRIVATELY OWNED BUSINESS PERMITTED BY THE GOVERNMENT TO SELL

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PRODUCTS FOR DOLLARS. ACCORDING TO AN UNDP/UNIDO STUDY, VANIDA'S HOUSE OF DOLLS AVERAGE \$1,500 IN MONTHLY SALES, PRIMARILY TO FOREIGNERS WITHIN VIENTIANE. THE STUDY CONCLUDED THAT WITH INCREASED OVERSEAS MARKETING AND EXPORT PROMOTION, THE ENTERPRISE COULD EASILY ACHIEVE A YEARLY INFLOW OF \$200,000 FOREIGN

EXCHANGE TO THE LPDR. WITH THE ENCOURAGEMENT OF HER GOVERNMENT, VANIDA SOUGHT EXPORT CONTRACTS WITH SWEDEN, JAPAN, GREAT BRITAIN AND OTHER FOREIGN COUNTRIES.

3. ABOUT 350 WORKERS WERE EMPLOYED FULL TIME ON THE FACTORY PREMISES AND ANOTHER 1,000 FAMILIES DID PIECE WORK IN THEIR HOMES. VANIDA PAID WORKERS ABOVE AVERAGE KIP SALARIES SUPPLEMENTED BY IN-KIND FOOD PAYMENTS. LAO EMPLOYEES WITH WHOM EMBOFF SPOKE ONLY HOURS AFTER VANIDA'S ARREST SEEMED QUITE WORRIED THAT THE GOVERNMENT WOULD NOT BE ABLE TO MANAGE THE BUSINESS EFFICIENTLY ENOUGH TO MAINTAIN THE WAGE SCHEDULES ESTABLISHED BY VANIDA. VANIDA'S YOUNGER SISTER TOLD EMBOFF THAT SHE BELIEVED PROCURING QUALITY RAW MATERIALS FROM ABROAD SUCH AS DYES AND SILK THREAD, AND KNOWING HOW TO MARKET FINISHED PRODUCTS WOULD BE BEYOND THE CAPABILITY OF THE NEW GOVERNMENT MANAGERS.

4. WHEN EMBOFFS VISITED THE FACTORY AND SALES ROOM DECEMBER 29 GOVERNMENT OFFICIALS WERE TAKING INVENTORY AND MANAGING SALES. ALL SALES CONTINUE TO BE COLLECTED IN DOLLARS.

5. COMMENT: DESPITE THE GREAT NEED FOR FOREIGN EXCHANGE, THE LPDR SEEMS TO BE INCREASINGLY INTOLERANT OF PRIVATE ENTERPRISE.

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